



ADMINISTRATIVE SERVICES DEPARTMENT

MEMORANDUM

DATE: August 6, 2012

TO: The Oversight Board of the Successor Agency to the Former Temple City Redevelopment Agency

FROM: Tracey L. Hause, Administrative Services Director

SUBJECT: RESOLUTION NO. OB-4, ALLOWING THE SUCCESSOR AGENCY TO THE FORMER TEMPLE CITY REDEVELOPMENT AGENCY TO NEGOTIATE A PROFESSIONAL SERVICES AGREEMENT WITH VAVRINEK, TRINE, DAY & CO., LLP FOR A DUE DILIGENCE REVIEW IN ACCORDANCE WITH AB 1484

RECOMMENDATION:

Adopt the attached Resolution No. OB – 4 allowing the Successor Agency to the Former Temple City Redevelopment Agency (“Successor Agency”) to negotiate a professional services agreement with Vavrinek, Trine, Day & Co., LLP (“VTD”) for a Due Diligence Review in accordance with AB 1484.

BACKGROUND:

1. On June 29, 2011, as part of adopting the State of California Fiscal Year (FY) 2011-12 budget, the Governor signed two trailer bills, AB X1 26 and AB X1 27, into law. The legislation was effective on June 29, 2011. AB X1 26 eliminated redevelopment agencies as of October 1, 2011. Under AB X1 26 (chapter 5, Statutes of 2011), an Oversight Board was established to oversee the actions of the Successor Agency to the Temple City Redevelopment Agency (“Successor Agency”).
2. On July 18, 2011, the California Redevelopment Association and League of California Cities filed suit to invalidate AB X1 26 and AB X1 27.
3. On December 29, 2011, the California Supreme Court announced its decision in *CRA v. Matosantos* upholding AB X1 26 as a constitutional exercise of the Legislature’s power, but striking down AB X1 27 as unconstitutional.

4. On January 13, 2012, in the absence of any election to the contrary, the City of Temple City (i.e., "City") became the successor entity for the general functions of the Temple City Community Redevelopment Agency.
5. On February 1, 2012, unless urgency legislation or another pending lawsuit intervened, every redevelopment agency in the State of California was dissolved and a successor agency was created for each redevelopment agency.
6. On June 27, 2012, AB 1484 was passed by the legislature. AB 1484 is a clean-up bill to AB X1 26.

ANALYSIS:

There are numerous changes to ABX1 26 as a result of AB 1484, many of which raise new questions that will hopefully be clarified in the next several months.

The major theme of AB 1484 is to divide the wind-down into three stages: 1) Resolving outstanding property tax payment issues from 2011-2012; 2) force payment for distribution to taxing entities of all unencumbered cash from the former agencies; and 3) address real property assets, city/agency loans and bond proceeds.

If the Successor Agency complies with all audit/payment requirements for the unencumbered cash, then a "finding of completion" is issued by the California Department of Finance, which allows the City to attempt to retain and utilize bond proceeds. It is extremely important that the City be able to utilize the Redevelopment Bond proceeds for the Rosemead Boulevard Enhancement Project.

By October 1, 2012, successor agencies must submit to the California Department of Finance an Oversight Board approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered low-and-moderate income housing fund assets, and will state whether or not those assets are encumbered by Enforceable Obligations. The California Department of Finance has until November 9, 2012 to finalize its review of the submittals, and to determine which low-and moderate income housing fund assets are not encumbered by Enforceable Obligations and issue a "finding of completion".

By January 15, 2013, successor agencies must provide to the California Department of Finance an Oversight Board approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered assets of the Successor Agency that are from sources other than the low-and-moderate income housing fund. The Due Diligence review will also state

whether or not those assets are encumbered by Enforceable Obligations. The California Department of Finance has until April 1, 2013 to finalize its review of the submittals, and to determine which assets are not encumbered by Enforceable Obligations and issue a "finding of completion".

In order to ensure the Successor Agency meets these deadlines, a licensed accountant must be hired as soon as possible. Due to this limited timeframe and the familiarity VTD has with the City's activities in these areas, staff is recommending the Successor Agency dispense with the formal bidding process per the Municipal Code and have VTD conduct this Due Diligence Review for both Housing Authority and the former Redevelopment Agency's financial activities. VTD became familiar with the financial activities of the low-and-moderate income housing fund and the now dissolved Redevelopment Agency when they completed the Independent Accountants Report on Applying Agreed-Upon Procedures pursuant to AB X1 26 on Temple City's dissolved Redevelopment Agency on behalf of the County of Los Angeles, dated April 2012. Staff has contacted VTD and they are interested in performing the Due Diligence Review however there has not been Agreed-Upon Procedures developed yet this for Due Diligence Review. Independent audit firms are working with the California Department of Finance in the development of these Agreed-Upon Procedures and it is anticipated they will be complete in a few weeks. As soon as the Agreed-Upon Procedures are complete, VTD can begin the Due Diligence Review and the Successor Agency will need to move quickly to meet the October 1, 2012 deadline.

Approval of this action is also required by the Successor Agency. Recommendation for approval is on their regularly scheduled meeting agenda for August 7, 2012.

CONCLUSION:

In order to ensure the City can utilize the Redevelopment Bond proceeds for the Rosemead Boulevard Enhancement Project, it is imperative the Successor Agency complete a Due Diligence Review on the unencumbered low-and-moderate income housing fund assets and all other assets, and receives a "finding of completion" from the California Department of Finance. VTD is familiar with the financial activities of the Housing Authority and the former Redevelopment Agency and due to an extremely short deadline of October 1, 2012 for submittal of the Due Diligence Review, staff is recommending the City Manager negotiate a professional services agreement for VTD to begin work as soon as it is feasible, after the development of the Agreed-Upon Procedures pursuant to AB 1484 has been completed.

FISCAL IMPACT:

The cost of the Due Diligence Review is unknown at this time as a scope has yet to be

developed. It is anticipated the review will not exceed \$25,000 and within the approved authority of the City Manager. This cost will be an expense of the Successor Agency however AB 1484 does not allow for an amended Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through December 31, 2012. AB 1484 does allow for cities to loan funds to successor agencies for these audit services. The City and Successor Agency will return at a subsequent meeting to recommend a loan agreement and request an additional appropriation from the FY 2012-13 City Budget if needed.

RESOLUTION NO. OB 2012-04

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF
THE CITY OF TEMPLE CITY ALLOWING THE SUCCESSOR AGENCY TO THE
FORMER TEMPLE CITY REDEVELOPMENT AGENCY TO NEGOTIATE WITH
VAVRINEK, TRINE, DAY & CO., LLP FOR A DUE DILIGENCE REVIEW IN
ACCORDANCE WITH AB 1484**

WHEREAS, the Oversight Board to the Successor Agency to the dissolved Temple City Community Redevelopment Agency ("Oversight Board") has been appointed pursuant to the provisions of Health and Safety Code Section 34179; and

WHEREAS, any contracts entered into by the Successor Agency must be approved by the Oversight Board; and

WHEREAS, a Due Diligence Review is required by an independent accounting firm to ensure the City can utilize the former redevelopment bond proceeds; and

WHEREAS, the independent accounting firm of Vavrinek, Trine, Day & Co., LLP ("VTD") is familiar with the financial activities of the Housing Authority and the former Redevelopment Agency.

NOW, THEREFORE BE IT RESOLVED, by the Oversight Board as follows:

Section 1. Recitals. The Oversight Board, at its August 6, 2012 meeting, reviewed and considered the recommendation to allow the Successor Agency to negotiate with VTD for a Due Diligence Review in Accordance with AB 1484; and

Section 2. Approval. The Oversight Board hereby approves for the Successor Agency to negotiate with VTD for a Due Diligence Review in Accordance with AB 1484; and

Section 3. Implementation. The Oversight Board hereby directs the Successor Agency to negotiate with VTD for a Due Diligence Review in Accordance with AB 1484; and

Section 4. Effective Date. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board, may be reviewed by the California Department of Finance, and therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the California Department of Finance.

PASSED AND ADOPTED by the Oversight Board of the Successor Agency of the City of Temple City at a meeting held on this 6th day of August, 2012, by the following vote:

AYES:

NOES:

ABSENT:

Chairperson
Oversight Board of the
Successor Agency of the
City of Temple City

ATTEST:

, Deputy Clerk
County of Los Angeles, Board of Supervisors
Acting as Secretary to the City of Temple City
Oversight Board